



STATUS OF RMBS LITIGATIONS

AUGUST 9, 2016

STATUS OF RMBS LITIGATIONS (1)

Litigation Case	Current Status (as of August 9, 2016)
<p>First Franklin Financial Corporation, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Inc., Merrill Lynch Mortgage Lending, Inc., and Merrill Lynch Mortgage Investors, Inc. – New York State Supreme Court, Index No. 651217/2012 [re First Franklin Mortgage Loan Trust 2007-FFC]</p>	<ul style="list-style-type: none"> ▶ On July 18, 2013 the court denied defendants' motion to dismiss the putback and fraudulent-inducement claims, but granted the defendants' motion to dismiss the claim for indemnification. The court further ruled that AAC is limited to the sole remedy of repurchase for breaches of representations and warranties relating to the loan pool but not for breaches of transaction-level representations and warranties ▶ Discovery is ongoing
<p>Countrywide Securities Corp., Countrywide Financial Corp. (a.k.a. Bank of America Home Loans) and Bank of America Corp – New York State Supreme Court, Index No. 651612/2010 [re CWHEQ 2006-S1, CWHEQ 2006-S4, CWHEQ 2006-S6, CWABS 2004-K, CWABS 2004-L, CWABS 2004-M, CWABS 2004-N, CWABS 2004-O, CWABS 2004-T, CWHEQ 2005-F, CWHEQ 2005-L, CWHEQ 2006-B, CWHEQ 2006-C, CWABS 2005-16, CWABS 2005-17, CWHEQ 2006-11, CWHEQ 2006-13]</p>	<ul style="list-style-type: none"> ▶ Fact and expert discovery concluded ▶ Summary judgment motions were filed on May 1, 2015 and the court heard oral argument on July 15, 2015 ▶ On October 27, 2015, the court issued a decision granting in part and denying in part the parties' respective summary judgment motions regarding AAC's claims against Countrywide. Both AAC and Countrywide have filed notices of appeal. AAC filed its opening appeal brief on February 22, 2016; Countrywide filed its opening brief on May 6, 2016 and AAC filed its opposition and reply on July 1, 2016. The primary liability appeal is expected to be fully briefed in August 2016 ▶ The Court also granted in its entirety AAC's partial motion for summary judgment and denied Bank of America's motion for summary judgment regarding AAC's successor-liability claims against Bank of America. Bank of America filed its opening appellate brief on May 20, 2016 and AAC filed its opposition to Bank of America's appeal on July 19, 2016. The successor liability appeal is expected to be fully briefed in September 2016

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STATUS OF RMBS LITIGATIONS - CONTINUED (1)

Litigation Case	Current Status <i>(as of August 9, 2016)</i>
<p>Nomura Credit & Capital, Inc. and Nomura Holding America Inc. – New York State Supreme Court, Index No. 651359/2013 [re Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2007-1 and Nomura Asset Acceptance Corporation, Alternative Loan Trust, Series 2007-3]</p>	<ul style="list-style-type: none"> ▶ On July 12, 2013, defendants filed a motion to dismiss the complaint; oral argument was heard on November 13, 2013 ▶ AAC filed an Amended Complaint on September 22, 2014 adding a fraudulent-inducement claim ▶ Defendants filed a motion to strike the Amended Complaint on October 31, 2014, which AAC opposed and AAC also cross-moved for leave to file an amended complaint ▶ Defendants also filed a motion to dismiss the fraudulent-inducement claim, which plaintiffs opposed. The court heard oral argument on this motion on April 14, 2015 ▶ On June 3, 2015, the court denied defendants' July 2013 motion to dismiss AAC's claim for breaches of representations and warranties, but granted the defendants' motion to dismiss AAC's claims for breach of the repurchase protocol and for alter ego liability against Nomura Holding ▶ The court has not ruled on defendants' motions relating to the amended complaint ▶ Fact discovery is ongoing

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STATUS OF RMBS LITIGATIONS - CONTINUED (1)

Litigation Case	Current Status (as of August 9, 2016)
<p>Countrywide Home Loans, Inc., Countrywide Financial Corp., and Bank of America Corp. – New York State Supreme Court, Index No. 653979/2014 [re CWALT 2005-81, CWALT 2006-OA19, HVMLT 2005-16, HVMLT 2006-9, Lehman XS 2005-7N, Lehman XS 2006-2N, Lehman XS 2007-7N, and Lehman XS 2007-15N]</p>	<ul style="list-style-type: none"> ▶ Complaint for fraudulent-inducement filed on December 30, 2014 ▶ Countrywide filed a motion to dismiss on February 20, 2015 which Bank of America joined on February 23, 2015, and which plaintiffs opposed. The Court heard oral argument in November 2015 ▶ Fact discovery is ongoing
<p>Countrywide Home Loans, Inc. – Circuit Court, Dane County, Wisconsin, Case No. 14CV3511 and New York State Supreme Court, Index no. 652321/2015 [re HVMLT 2005-2, HVMLT 2005-8, HVMLT 2005-10, Harborview Mortgage Loan Trust 2005-12, and HVMLT 2005-13]</p>	<ul style="list-style-type: none"> ▶ Complaint for fraudulent-inducement filed on December 30, 2014 ▶ Defendant filed a motion to dismiss on February 20, 2015, which plaintiffs opposed ▶ At a hearing on June 23, 2015, the court dismissed the case without prejudice for lack of personal jurisdiction and entered an order on July 2, 2015. Plaintiffs appealed this decision and on June 23, 2016, the Wisconsin Court of Appeals reversed the dismissal of the complaint. Defendant has petitioned the Wisconsin Supreme Court to review the June 23, 2016 decision, which plaintiffs opposed ▶ On June 30, 2015 plaintiffs commenced litigation in New York and filed a complaint for fraudulent-inducement on July 21, 2015. Plaintiffs also filed in the New York action a motion to stay this New York case pending resolution of the Wisconsin appeal, which defendant has opposed ▶ On August 10, 2015, defendant filed a motion to dismiss, which plaintiffs have opposed. The court heard oral argument in November 2015 ▶ On July 14, 2016, the court in the New York action directed the parties to submit supplemental briefs addressing the impact of the June 23, 2016 decision by the Wisconsin Court of Appeals on the pending motion to stay the New York action

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FORWARD LOOKING STATEMENT

In this presentation, we have included statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as “estimate,” “project,” “plan,” “believe,” “anticipate,” “intend,” “potential,” “going forward,” “looking ahead” and similar expressions, or future or conditional verbs such as “will,” “should,” “would,” “could,” and “may,” or the negative of those expressions or verbs, identify forward-looking statements. We caution readers that these statements are not guarantees of future performance. Forward-looking statements are not historical facts but instead represent only our beliefs regarding future events, which, may by their nature be inherently uncertain and some of which may be outside our control. These statements may relate to plans and objectives with respect to the future, among other things which may change. We are alerting you to the possibility that our actual results may differ, possibly materially, from the expected objectives or anticipated results that may be suggested, expressed or implied by these forward-looking statements. Important factors that could cause our results to differ, possibly materially, from those indicated in the forward-looking statements include, among others, those discussed under “Risk Factors” in our most recent SEC filed quarterly or annual report.

Any or all of management’s forward-looking statements here or in other publications may turn out to be incorrect and are based on management’s current belief or opinions. Ambac’s actual results may vary materially, and there are no guarantees about the performance of Ambac’s securities. Among events, risks, uncertainties or factors that could cause actual results to differ materially from expectations or estimates reflected in such forward-looking statements, include, among others: (1) volatility in the price of Ambac’s common stock; (2) uncertainty concerning our ability to achieve value for holders of Ambac securities, whether from AAC or from new business opportunities; (3) dilution of current stockholder value or adverse effects on our share price resulting from the issuance of additional shares of common stock; (4) adverse effects on our share price resulting from future offerings of debt or equity securities that rank senior to our common stock; (5) potential of rehabilitation proceedings against AAC; (6) decisions made by the rehabilitator of the Segregated Account of AAC (the “Segregated Account”) for the benefit of policyholders that may result in material adverse consequences for Ambac’s security holders; (7) changes to the Segregated Account Rehabilitation Plan that could adversely affect the value of securities issued or insured by AAC or the Segregated Account; (8) our inability to realize the expected recoveries included in our financial statements, including those relating to breaches of representations and warranties (R&W) by sponsors of certain RMBS transactions; (9) intercompany disputes or disputes with the rehabilitator of the Segregated Account; (10) our inability to monetize assets, restructure or exchange outstanding debt and insurance obligations, or the failure of any such transaction to deliver anticipated results; (11) our results of operation may be adversely affected by events or circumstances that result in the accelerated amortization of our insurance intangible asset; (12) increased fiscal or liquidity stress experienced by issuers of public finance obligations or an increased incidence of Chapter 9 filings or other restructurings by municipal issuers; (13) adverse tax consequences or other costs resulting from the Segregated Account rehabilitation plan, from rules and procedures governing the payment of permitted policy claims, or from the characterization of our surplus notes as equity; (14) credit risk throughout our business, including but not limited to credit risk related to residential mortgage-backed securities, student loan and other asset securitizations, collateralized loan obligations, public finance obligations and exposures to reinsurers; (15) risks attendant to the change in composition of securities in our investment portfolio; (16) inadequacy of reserves established for losses and loss expenses; (17) the risk that our risk management policies and practices do not anticipate certain risks and/or the magnitude of potential for loss as a result of unforeseen risks; (18) changes in prevailing interest rates; (19) factors that may influence the amount of installment premiums paid to Ambac, including the Segregated Account rehabilitation proceedings; (20) default by one or more of AAC’s portfolio investments, insured issuers or counterparties; (21) market risks impacting assets in our investment portfolio or the value of our assets posted as collateral in respect of investment agreements and interest rate swap transactions; (22) risks relating to determinations of amounts of impairments taken on investments; (23) the risk of litigation and regulatory inquiries or investigations, and the risk of adverse outcomes in connection therewith, which could have a material adverse effect on our business, operations, financial position, profitability or cash flows; (24) our inability to realize value from Ambac Assurance UK Limited; (25) system security risks; (26) market spreads and pricing on derivative products insured or issued by Ambac or its subsidiaries; (27) the risk of volatility in income and earnings, including volatility due to the application of fair value accounting; (28) changes in accounting principles or practices that may impact Ambac’s reported financial results; (29) legislative and regulatory developments; (30) operational risks, including with respect to internal processes, risk models, systems and employees, and failures in services or products provided by third parties; (31) Ambac’s financial position and the Segregated Account rehabilitation proceedings that may prompt departures of key employees and may impact our ability to attract qualified executives and employees; (32) the potential adverse economic impact of the United Kingdom’s withdrawal from the European Union on Ambac’s insured international portfolio and the value of its foreign investments; and (33) other risks and uncertainties that have not been identified at this time.

ABOUT AMBAC

Ambac Financial Group, Inc. ("Ambac"), headquartered in New York City, is a holding company whose subsidiaries, including its principal operating subsidiaries, Ambac Assurance Corporation ("AAC"), Everspan Financial Guarantee Corp., and Ambac Assurance UK Limited ("Ambac UK"), provide financial guarantees and other financial services to clients in both the public and private sectors globally. AAC, including the Segregated Account of AAC (in rehabilitation), is a guarantor of public finance and structured finance obligations. Ambac's primary goal is to maximize stockholder value by executing the following key strategies: active runoff of AAC and its subsidiaries through accretive transaction terminations; policy commutations, settlements and restructurings, and maximizing the risk-adjusted return on invested assets; loss recovery through litigation and exercise of contractual and legal rights; improved cost effectiveness and efficiency of the operating platform; rationalization of AAC's capital and liability structures, enabling simplification of corporate governance and facilitating the successful rehabilitation of the Segregated Account; and selective business transactions offering attractive risk-adjusted returns that, among other things, may permit utilization of Ambac's tax net operating loss carry-forwards. Ambac's common stock trades on the NASDAQ Global Select Market under the symbol "AMBC". The Amended and Restated Certificate of Incorporation of Ambac contains substantial restrictions on the ability to transfer Ambac's common stock. Subject to limited exceptions, any attempted transfer of common stock shall be prohibited and void to the extent that, as a result of such transfer (or any series of transfers of which such transfer is a part), any person or group of persons shall become a holder of 5% or more of Ambac's common stock. Ambac is committed to providing timely and accurate information to the investing public, consistent with our legal and regulatory obligations. To that end, we use our website to convey information about our businesses, including the anticipated release of quarterly financial results, quarterly financial, statistical and business-related information, and the posting of updates to the status of certain primary residential mortgage backed securities litigations. For more information, please go to www.ambac.com.

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